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MEMORANDUM FOR: Mr. Donald W. Curtis
Division of International Affairs
Treasury Department

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The attached information on Iran's debt and balance of payments is a follow-up to what [redacted] provided you by phone this morning at your request.

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Iran's Foreign Debt, Debt Prepayment,
and Balance of Payments in 1974

Iran's foreign public debt stood at about \$3.5 billion at the end of 1973 and probably rose to around \$4 billion by the end of March 1974. Since then, the debt has declined and by year's end may approximate \$2 billion. The sharp reduction is based on anticipated prepayment of about \$1.5 billion in high-interest bearing debts as well as the normal principal repayment of an estimated \$540 million. During this same period, we believe that the Shah will hold additional foreign borrowing (except for IMF and IBRD loans) to a small amount. The Shah's decision to prepay applies to debts with interest rates of 8% or more and probably will apply to the following two categories and principals by country:

Suppliers' Credits -- estimated \$850 million
to \$1 billion

Principals (\$50 million or more): US,
West Germany, France, UK, and Italy

Private Financial Institutions -- estimated
\$500 million to \$700
million

Principals (\$50 million or more): US,
UK, and Japan.

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Loan disbursements, of possibly \$2 billion, represent another exceptionally large capital outflow in Iran's 1974 balance of payments. In addition to known transfers to Pakistan (\$250 million), UK (\$400 million), and France (\$300 million), we believe that Iran probably will provide the IMF with \$700 million, IBRD with \$275 million (bond purchases), and India with \$140 million. The latter is a credit offset for 70% of the cost of oil purchases from Iran.

We estimate that Iran's balance of payments in 1974 will look as follows:

	Million US \$		
	<u>Estimated 1st Half</u>	<u>Projected 2d Half</u>	<u>Projected Year</u>
Export receipts	6,935	11,420	18,355
Oil	6,415	10,900	17,315
Non-oil	520	520	1,040
Import payments (f.o.b.)	3,620	4,030	7,650
Trade balance	3,315	7,390	10,705
Net services	-235	-300	-535
Current account balance	3,080	7,090	10,170
Capital account (net)	900	-2,900	-2,000
Balance of payments and increase in reserves	3,980	4,190	8,170

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